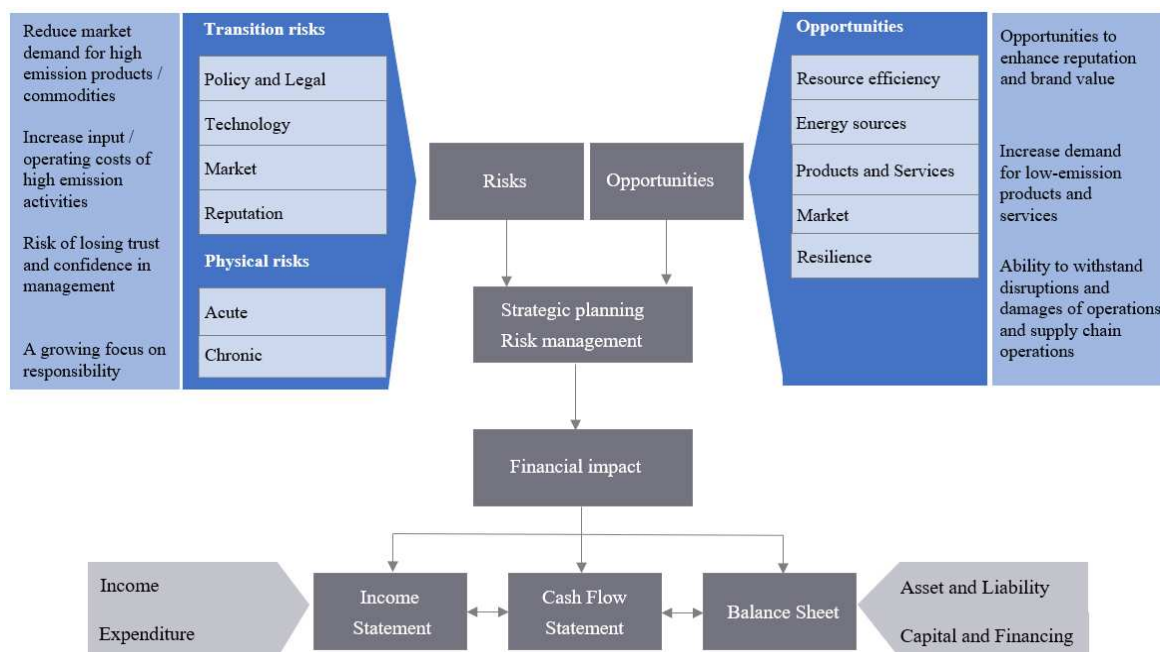


## WuXi AppTec Co., Ltd. Report on Combatting Climate Change

Climate change has become a critical priority for companies across the world. WuXi AppTec Co., Ltd. ("WuXi AppTec", "the Company", "we") recognizes that global warming and its potential impacts are important issues that need to be addressed, and we are committed to doing our part. We strive to identify areas to reduce our environmental impact and are actively pursuing a carbon adaptability model. Through our proactive risk management and routine monitoring, not only will our risk-resistance capacity be enhanced, the financial risk resulting from climate change will be reduced.

This report summarizes the Company's governance, risk identification and assessment methods<sup>1</sup>, and monitoring related to climate change, which aligns with the *Recommendations of the Task Force on Climate-related Financial Disclosures Final Report (2017)* issued by Financial Stability Board Task Force on Climate-related Financial Disclosure (TCFD).



Climate change-related risks, opportunities and financial impacts<sup>2</sup>

<sup>1</sup> The actual impact of climate change as will be significantly affected by a variety of unknown factors, so the forward-looking information and statements contained herein are subject to change because of other factors that may arise in the future, including but not limited to, changes in the national carbon emission trading system and shifts in commercial market conditions. In addition, the facts stated herein may involve a number of uncertainties or be beyond the Company's control in the future. Therefore, we hereby declare that the action plan specified herein may differ from the actual situation in the future.

<sup>2</sup> Refer to *TCFD Implementation Guide* [https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing\\_Guidance.pdf](https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf)

## Governance Structure

WuXi AppTec values top-tier climate change management tools, which we have adopted within our business and are continuously working to advance. Our Environmental, Social and Governance (ESG) Committee, established under the Board of Directors, reviews and approves climate-related targets and investment plans, as well as tracks the execution and fulfilment of related performance targets. The successful completion of these initiatives factors into the performance evaluation and compensation of management. Additionally, the Company has set up an efficient climate change management system, with an ESG office and working group established under the ESG Committee, which comprises environmental, social, and governance-related departments and is responsible for promoting the implementation and execution of climate change risk management and climate-related strategies.

## Strategies to Tackle Climate Change

Tackling climate change is a global imperative, and our Company is committed to prioritizing and adopting initiatives that focuses on energy-saving and emission reduction technologies, reduction of greenhouse gas (GHG) emissions, and transition to a cleaner and more sustainable business model.

- **Measuring our carbon footprint:** In 2020, we began to map out our energy and carbon footprint as a first step towards reducing our impact on the environment. We inventoried our GHG according to the GHG Protocol Corporate Accounting and Reporting Standard issued by the World Resources Institute (WRI)/World Business Council for Sustainable Development (WBCSD). To ensure that the data was scientific and standardized, an internal process was set up and is regularly updated as to follow the latest global standards. As a result, each business unit around the world is required to submit its energy consumption data to the ESG office on a regular basis via an internal data management system. To combat climate change, we have set our GHG reduction target, and are committed to reducing our GHG emissions intensity 25% by 2030. The inventory and analysis of GHG data will guide WuXi AppTec to further reduce energy consumption and emissions. We plan to work with our partners across our ecosystem to build a low-carbon value chain.
- **Energy management:** To achieve our emission reduction target, we have established a clear division of work and governance structure, with the Board of Directors approving and monitoring the progress of projects quarterly and the ESG office reviewing and evaluating the implementation and effectiveness of each department's emission reduction initiatives. In order to ensure collaboration across business units, we have set energy saving and emission reduction metrics based on the functions of the units, their regions, historical energy consumption and relevant standards. The ESG office will regularly monitor and report on the progress of meeting emission reduction targets and the implementation of each unit's plans. At the same time, the ESG Committee will take appropriate actions to ensure that the relevant business units comply with the targets set, putting our environmental commitments into practice.
- **Energy optimization and restructuring:** Based on WuXi AppTec's efficient energy management mechanism, saving energy and improving efficiency are embedded in the full cycle of our energy consumption procedures. We prioritize energy-efficient

equipment during procurement by taking Energy Efficiency Index (EEI) into consideration and requiring our suppliers to disclose EEI in their proposals and quotes. When the equipment is in operation, its energy consumption is monitored in real-time; data analysis is conducted to optimize the parameters or procedures to ensure energy management targets are achieved. Internal and external energy audits are conducted to verify our energy consumption data and energy efficiency performance. Additionally, WuXi AppTec will conduct resource analyses of each site to explore the application of renewable energy. We have also developed a renewable energy strategy that takes into account the resource conditions of different operating sites. As a result, WuXi AppTec has installed solar panels and wind turbines at some of its operating sites to provide power and heat using renewable energy.

## **Climate Change Risk Identification and Assessment**

Based on a comprehensive scenario analysis, we considered the Company's risk exposure in the short, medium, and long term to develop a more flexible and robust strategic plan for possible future outcomes. Climate change risk identification and assessments are carried out through the following steps:

- **Risk identification**

WuXi AppTec proactively identifies the types of physical risks, transition risks and opportunities that will impact the company's business operations. Physical risks include acute risk and chronic risk. Transition risks include policy and legal, technology, market and reputation risks. Opportunities include energy sources, products and services. We then assess and analyze the identified climate change risks and opportunities.

- **Scenario analysis**

Scenario analysis is used as a method to formulate strategic plans that can respond flexibly and steadily to various future situations. We need to consider how climate-related risks and opportunities may evolve and the impact they may have under different circumstances. We evaluate measurable climate change trends and relationships through qualitative and quantitative methods, referring to models and other analysis techniques recommended by TCFD.

- 1) Scenario model selection**

On December 12th, 2015, the Paris Agreement was adopted at the 21st UN Climate Change Conference (Paris Climate Conference). This is the foundation for concerted efforts to keep global temperature increases in this century well below 2°C above pre-industrial levels. In 2021, the 26th Conference of the Parties (COP 26) of the United Nations Framework Convention on Climate Change (UNFCCC) aimed to achieve net zero emissions globally – known as the Race to Net Zero – and to keep the temperature increase below 1.5 °C by the middle of the century. Considering the objectives of the two conferences and referring to the recommendations raised by Guidance on Climate Disclosures of the Hong Kong Stock Exchange, WuXi AppTec conducted an analysis using two separate climate

scenarios<sup>3</sup>, RCP 2.6 (IEA B2DS in transition risks evaluation) and RCP 8.5 (IEA SDS in transition risks evaluation), to examine the comprehensive risks and opportunities of climate change in the future.

Climatic scenario character <sup>4</sup>	RCP 2.6 (IEA B2DS) Scenario	RCP 8.5 (IEA SDS) Scenario
<b>Substantial Physical environment</b>		
Global average warming	Approximately 1.7°C by 2060 and 1.8°C by 2100	Approximately 2.4°C by 2060 and 4.4°C by 2100
Global average sea levels rise	May reach 0.30 meters by 2065 and 0.50 meters by 2100	May reach 0.40 meters by 2065 and 0.80 meters by 2100
Arctic sea ice volume	Expected to be reduced throughout the year	By the summer of 2050, arctic sea ice will have melted
Global glacier volume	Expected to decrease by 18% in 2100 in comparison to the average level of 21st century	Expected to decrease by 36% in 2100 in comparison to the average level of 21st century level
Climate change impacts	Relatively stable. For example, a 2% reduction in crop yields by 2080	Major. For example, a 14% reduction in crop yields by 2080, could affect common human activities such as agriculture and outdoor work by 2100
<b>Social and economic environment</b>		
Economic development	Achieve more inclusive economic development. Preserve remaining natural areas.	The economic growth and technological advances driven by fossil fuels will result in high levels of greenhouse gas emissions by 2100, which could possibly exacerbate extreme weather events
Climate policy	Several countries have committed to achieving net zero emissions by 2050, with detailed near-term targets and action plans	Lack of new climate-related policies due to institutional, political and economic obstacles
Policy implementation	The government will execute strict climate policies which are easy to implement	Lack of detailed near-term actions and implementation plans
Common business models	Quickly transferred from a fossil-fuel economy to an economy driven by renewable energy	A profit-driven business model that fails to properly consider environmental and social impacts
Commitment level	Companies commit to contribute to national and regional climate action goals, i.e., business partners working together to achieve low carbon operations	Not enough public awareness to push for institutional reforms

<sup>3</sup> The parameters and their definitions are cited from THE IPCC SSP1-2.6 and the IEA Sustainable Development Scenario up to August 2021, with reference to the NGFS ordered path. In August 2021, the IPCC published its 6th Assessment Report, which listed five core scenarios. It is expected that the parameters of the IPCC scenario will soon be updated in accordance with the 6th Assessment Report

<sup>4</sup> Reference: The detailed definition is from the Guidance on Climate Disclosures issued by HKEX in November 2021

## 2) Parameter selection

WuXi AppTec developed scenarios using public data sources, including assessments and reports of the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) on climate emission paths. The main parameters/assumptions considered in scenario analysis included:

- i. Economic factors: industry planning, product cost and revenue, customer and market demand
- ii. Policy factors: changes in policy and regulatory requirements
- iii. Physical factors: raw material origin, location of operation, and business layout

### ● Risk Assessment and Strategy Formulation

WuXi AppTec's ESG office is responsible for identifying risks and opportunities related to climate change. We have built a climate model, based on the TCFD framework<sup>5</sup>, to assess the transition risks, physical risks and opportunities faced by the Company, and incorporated feedback from various business operation departments. To measure the future impacts of climate change risks on the Company's operations, WuXi AppTec will examine and monitor climate change risks and opportunities in the short, medium, and long term based on its existing risk management system and strategic planning:

**Short term (1-2 years):** WuXi AppTec will carry out risk assessment and financial forecasting every year, and we will plan strategic deployment for the next 1-2 years. These forecasts and plans include specific measures to address climate change in the short term.

**Medium term (2-6 years):** WuXi AppTec will formulate a medium-term plan of WuXi AppTec every three years and propose a strategy to deal with climate change based on policy trends, market development, customer demand and other factors.

**Long term (more than 6 years):** WuXi AppTec has set a long-term strategic direction, including goals and directions for addressing climate change.

### Climate change-related risks

Risk type	Climate-related risk		Potential impacts	Financial impacts	Time dimension
<b>Physical risks<sup>6</sup></b>	<b>Acute risk</b>	Increased severity of extreme weather events such as cyclones and floods	Extreme weather may have an impact on the company's business continuity.	Increase in operating costs and infrastructure construction costs	Short term

<sup>5</sup> The parameters and their definitions are cited from THE IPCC SSP1-2.6 and the IEA Sustainable Development Scenario up to August 2021, with reference to the NGFS ordered path. In August 2021, the IPCC published its 6th Assessment Report, which listed five core scenarios. It is expected that the parameters of the IPCC scenario will soon be updated in accordance with the 6th Assessment Report

<sup>6</sup> The main reference data sources in the physical risk evaluation process: China Typhoon Website, World Resources Institute (WRI) data, Intergovernmental Panel on Climate Change (IPCC) data, Climate Impact Lab, Surging seas MAPPING CHOICE, etc.

<b>Physical risks</b>	<b>Chronic risk</b>	Rising mean temperatures	The rise of mean temperatures will increase the operating costs of companies' infrastructure and utilities	Increase in operating costs	Long term
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Risk type	Climate-related risk	Potential impacts	Financial impacts	Time dimension	
<b>Transition risks</b>	<b>Policy and legal risks</b>	Requirements and supervision of existing products and services	The policy and regulatory requirements for coping with climate change are becoming increasingly stringent. Policy changes could result in higher costs to comply	Increase in operating costs	Short term
<b>Transition risks</b>	<b>Technology risk</b>	Front-end cost of transition to low-carbon technology	The Company's exploration of low-carbon operation approaches, such as the use of energy-saving technologies and systems in its operations, investment in renewable energy	Increased operating costs of deploying new technologies and approaches related to low-carbon operations	Medium term
<b>Transition risks</b>	<b>Market risk</b>	Changing customer behavior	Customers pay more attention to the carbon footprint of the value chain and require the whole value chain to contribute to reducing carbon emissions	Increased operating costs	Medium term
		Increased cost of raw materials	Climate change will affect the quantity of raw materials, with reduction in supply resulting in increased cost.	Increased operating costs as a result of rising raw material costs	
<b>Transition risks</b>	<b>Reputation risk</b>	Increasing concerns about negative feedback from stakeholders	Stakeholders are increasingly aware of and concerned about global warming and the resulting impacts of climate change, and they will have heightened expectations for corporate action to address this challenge	Increase in operating costs	Medium term

## Climate change-related opportunities

Opportunity type	Climate-related opportunity	Response strategies	Time dimension
<b>Opportunity 1 Energy Sources</b>	Emergence of new technologies	To cope with the volatility of the traditional energy market and other factors in the future, WuXi AppTec will evaluate increasing the use of clean energy to secure business continuity.	Medium term
<b>Opportunity 2 Products and Services</b>	Increase revenue by improving business competitiveness	As global climate change intensifies, customers are increasingly inclined to use environmentally friendly products and services and are placing greater demands on suppliers' ability to reduce emissions. WuXi AppTec's low-carbon initiatives will enhance the Company's competitiveness and brand image.	Long term

### ● Risk Management and Monitoring

In response to the climate change risks and opportunities identified above, we have adopted a proactive risk management and regular risk monitoring approach. Our ESG office and ESG working group have joined forces with various environmental, social, and governance-related departments to promote and implement climate change risk management throughout the value chain of WuXi AppTec's operations. We have established a comprehensive climate change risk management process that has been integrated within the company's overall risk management process, and the Company has initiated a risk management and monitoring mechanism through pilot projects to assist in identifying climate change risks when making operational decisions.